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**Embracing Solutions-Driven Innovation to Address Institutional Voids in Emerging
African Markets: The Case of UBER and the Middle of the Pyramid**

Olivia Barbour* and John M. Luiz**

* Graduate School of Business, University of Cape Town, South Africa

** University of Sussex Business School, UK; and

Graduate School of Business, University of Cape Town, South Africa

FORTHCOMING: CALIFORNIA MANAGEMENT REVIEW

Abstract

The purpose of this research is to gain a greater understanding of solutions-driven innovation within an emerging market context, specifically in Africa, and how it can be utilized as a strategy by multinational enterprises to address institutional voids in these markets.

Through a qualitative case study of UBER and their expansion into Africa, the study integrates the literature on strategy and innovation as a vehicle for overcoming institutional voids in the process of internationalization.

We argue that solutions-driven innovation can create markets and mitigate distance and institutional voids in emerging market contexts. We demonstrate how solutions-driven innovation manifests differently in emerging as opposed to developed markets, in its nature, the manner in which it disrupts, and the need that it fulfils. UBER created markets in Africa

by developing a solution to consumers' unmet needs. We also demonstrate that solutions-driven innovation can create opportunities in the middle of the economic pyramid and that it is not only a solution for the base of the pyramid.

To be successful in African markets requires taking the context seriously and being mindful of how institutional voids necessitate innovative solutions and potentially different value propositions. UBER innovated around the institutional voids in these markets and in some instances stepped in and filled the void, thereby becoming the informal institution or proxy for the formal institutions.

1. INTRODUCTION

The purpose of this research is to gain an understanding of solutions-driven innovation within an emerging market context, and more specifically a developing context namely, Africa. In particular, the research aims to explore how solutions-driven innovation can be used by multinational enterprises (MNEs) as they internationalize into emerging markets as a way of addressing institutional voids which are often present.¹ UBER technologies is used as a case study to help further this understanding. It examines whether solutions-driven innovation differs in emerging as opposed to developed markets, and whether it mitigates the impact of distance and institutional voids, thereby facilitating internationalization into such markets.

The African continent has for some time been regarded as the next economic growth frontier. It is amongst the world's fastest growing regions averaging about 5% per annum GDP growth since the early 2000s.² It will soon have the fastest urbanization rate in the world, and by 2034 is expected to have a larger work force than China and India. Over the last decade, Africa has seen rapid economic and institutional development, which has made it an increasingly attractive market.³

Africa is primed for growth and for international investment, yet to date the expansion into African markets by developed-country MNEs has been slow.⁴ This lack of expansion can be attributed to the challenges that firms face when looking to compete in African markets. It is widely perceived to suffer from corruption, poverty, ongoing conflicts, institutional weakness, and political instability.⁵ These challenges have affected the rate of expansion into Africa by MNEs. The question which arises is how MNEs have addressed these challenges and what capabilities they have utilized to address them and aid in their international expansion.⁶

Globally, over the past decade, there has been an increasing number of MNEs that have successfully exploited disruptive technologies to create innovations that have had a significant effect on existing markets. Examples of some of these highly successful innovations are: Airbnb which revolutionized the hospitality industry; Netflix which altered the entertainment industry; UBER which disrupted the taxi industry, and Google Maps which changed the personal satellite navigation market. All of these innovations have transformed the landscape of the markets within which they operate.⁷

Furthermore, we have seen major technological and digital advances that have capitalized upon being more affordable and accessible. This rise is of particular significance within the context of African markets where the mobile uptake has grown exponentially. Between 2011 and 2016 there was an annual growth rate of mobile subscribers of 11%, which is the fastest global growth rate of mobile subscribers worldwide.⁸ Not only has this enabled companies to either open up new markets or meet gaps in existing markets as a result of being able to speed up delivery and broaden access, it has also helped companies leapfrog developmental challenges.⁹ African markets are opening up through the increase in connectivity, which is resulting in consumers being more accessible to firms and the potential solutions and new offerings that are being made available to them.

Innovation is rife in emerging markets and some African countries are leading this development by being the locus of significant innovations in the world economy. In contrast to developed countries, the drive for these innovations stems from the necessity to compensate for the insufficiencies, failures or even pure absence of components of basic fundamentals to economic development.¹⁰ Many of these innovations have been home grown and led by local companies (MPesa being one such example) but there are opportunities for MNEs to exploit their own technological and innovative prowess to open up opportunities in African markets. Research shows that the challenge for this century is the identification and

development of new products for the mass markets of less affluent populations in emerging economies, which are currently either partially served or not served at all by MNEs.¹¹ There is an argument that solutions-driven innovation may provide avenues through which firms can reach this mass emerging market population. This innovation is additionally being touted as being the most viable strategy to increase economic development within Africa.¹²

For managers the challenges posed by doing business in African markets, often related to institutional voids, may discourage its consideration but the *Africa rising* narrative means that such markets cannot be ignored in the future and that innovative solutions need to be found to make these markets more accessible and viable. This requires a rethink of how to ‘develop products that are *accessible* through design, materials and technology’ and to make such innovations more affordable to this consumer base. Also to reverse innovate by taking the emerging market context seriously and using local talent to focus on indigenous market innovations that harness local adaptation with the global technological reach of MNEs.¹³ This will be the basis for a competitive advantage in African markets.

2. LITERATURE REVIEW

2.1 The Nature of Disruptive versus Solutions-Driven Innovation

The term ‘disruptive innovation’ was first coined by Clayton Christensen in his seminal work *The Innovators Dilemma* in 1997,¹⁴ in which he introduced this theory. Disruptive innovation is defined by him as, ‘an innovation that transforms an existing market or sector by introducing simplicity, convenience, accessibility and affordability where complication and high cost have become the status quo – eventually redefining the industry’.¹⁵ Disruptive innovations are therefore simple adaptations to existing technologies that appeal to customers who were not previously enticed to the products.

Bohnsack and Pinkse assert that disruptive technologies have the ability to reinvent a product or service by initiating new attributes that become a key basis of competitive advantage. They argue that disruptive technologies can be made more attractive for mainstream customers by reconfiguring value propositions and combining these with an inventive business model.¹⁶ Further extensions suggest that disruptive innovation is explained by an offering that has a technology enabler that can convey its value proposition of convenience, affordability, simplicity, and allow for improvement, and which is paired with a business model innovation that enables it to exist alongside its new value proposition.¹⁷

In the African context, innovations need to address the underlying realities of institutional voids, inadequate infrastructure, ineffective sociopolitical governance and regulation, chronic shortages of resources and income, and market heterogeneity, in order to create scalable new markets.¹⁸ Christensen's disruptive innovation does not extend far enough, for our purposes, to confront developing and emerging markets' heterogeneity and inadequacies. African countries are largely characterized by very high levels of inequality resulting in highly skewed markets where large numbers of people operate at the base of the pyramid (BOP) and middle of the pyramid (MOP).¹⁹ To address the needs of this market requires a solutions-based approach to innovation which addresses the very nature of the institutional voids and the existing insufficiencies – what we call *solutions-driven innovation*. Such innovation creates solutions directly connected to the inadequacies of the status quo related to underdevelopment, targeting non-consumers that have been neglected by existing offerings.

2.2 Disruptive versus Solutions-Driven Innovation in Emerging Markets

Disruptive innovation is regarded as a competitive strategy and a market theory. Hart and Christensen introduced the link between disruptive innovation and emerging markets and

refer to innovation at the BOP.²⁰ They identify emerging markets to be a potential source of significant profit through the serving of the poor and argue that the BOP is unsaturated and the next growth frontier, since it is filled with consumers that have been ignored. Disruptive innovators compete against non-consumption, offering services or products to those that have been poorly served or excluded entirely, and thus the model will work well in such developing countries. Whilst emerging markets are well suited for disruptive innovation as they have large populations with high levels of economic mobility and low mean income levels, and these two factors provide great prospects for reaching unserved potential customers,²¹ we demonstrate that the MOP also has significant opportunities in emerging markets for solutions-driven innovations and that these should not be discounted. In African countries the MOP is estimated to make up between 35% to 50% of the market or 350 million to 500 million people and is composed of a rapidly growing middle class that are upwardly mobile and with aspirant consumption and lifestyle patterns.²²

Corsi and Di Minin delve into the differences that arise between developed and emerging markets and state that within a developed country market, the segment that is initially served by the innovation is characterized as ‘early adopters’ (a small market of ignored consumers).²³ By contrast, in an emerging economy, the early market is not small and is often represented by a large portion of the population who have less access to established technologies or product offerings as these are too complex or too expensive. They suggest that the size of the early market will determine the actors that are involved in the innovation. In a developed market context, as the early market is small, it leads to the tendency to think that this is only viable for start-ups and small spin-offs to profitably service this market. In an emerging economy, as the market can be a large portion of the population and of a vast size, the opportunity allows for foreign MNE subsidiaries, local start-ups, and large local firms to profitably service this market by exploiting economies of scale. These

differences affect the rate of expansion and the very basis for successful competition and the formulation of appropriate value propositions.²⁴ Furthermore, we demonstrate that the peculiarities of context²⁵ in emerging markets should provide the basis for successful solutions-driven innovation. In the next section we pursue this further and explore how the institutional environment and conditions of underdevelopment afford opportunities for this innovation and the construction of competitive value propositions.

2.3 Institutional Voids, Solutions-Driven Innovation, and Emerging Markets

Emerging economies often have large untapped markets and can present new growth opportunities for firms looking to expand into foreign territories. Whilst the challenges in the emerging markets are significant, they present an opportunity for MNEs to diversify from often saturated and stagnant developed countries. The question arises as to how best to tap into these market opportunities? The global economy does not hold a one-size-fits-all model and thus it is argued that MNEs need to look to different models to appeal to emerging markets.

Firms may be capable of creating viable products for emerging markets without entirely adapting their offerings, but they cannot go in with an unchanged product and wholly unchanged operating model.²⁶ We highlight two particular dimensions relevant to the emerging market context which affect competitive strategies by MNEs, namely consumer income distribution, and the institutional environment.

As regards the first, Christensen, Ojomo and Van Bever argue for a market-creating innovation model, which uses a pull strategy instead of the usual push strategy in emerging markets. They define a push strategy or push investment as something that is driven by the priorities of the creator, where the solutions that are generated are imposed or pushed on consumers and markets. On the other hand, pull strategies respond to the needs characterized

in the struggles of everyday consumers. They believe that the strategies that are successful within emerging markets are the ones that diverge from the conventional push strategies' approach. Markets are created when innovators develop products that consumers want to 'pull' into their lives; and these markets function as a base for prosperity and growth.²⁷ We maintain that to be effective pull strategies should not only be characterized by investments and models that are led by a desire to increase accessibility and affordability but address the unmet needs of the everyday consumer, expanding and creating markets by targeting non-consumption and solving real problems associated with underdevelopment in these markets – in other words, solutions-driven innovation.

A strong argument and view within the strategy literature is that the best way to tap into emerging markets is through the BOP by addressing the needs of the aspiring poor, since there is a vast opportunity represented by non-consumption. Others contend that it is not just the BOP market that holds the opportunity for MNEs, but rather also the vast middle where there are unmet needs.²⁸ The aim should be to target consumers defined as those whose needs are poorly serviced by existing products with low-end solutions but that cannot afford the high-end solutions.²⁹ We argue that there is vast scope for innovation in emerging markets aimed not only at the BOP but also the MOP particularly that which focuses on solutions directly related to the emerging market setting.

The second dimension of the challenges provided by emerging market contexts is that of the institutional environment which has often been characterized as one of voids.

Institutional weakness or voids exist where the rules of business are ambiguous, infrastructure is lacking, transaction costs are high, and market counterparts have to find ways of transacting without the supporting institutions and the inefficiencies that that raises, as we discuss below.³⁰ Innovation can help address these voids in various ways.

Govindarajan and Euchner postulate that due to institutional voids within emerging markets

further innovations may be necessary in the way a product is financed, sold and distributed, and that success in these markets requires products to be adapted innovatively to suit these local conditions.³¹ Furthermore, emerging markets often face inappropriate regulation which can facilitate innovation which may create markets that operate outside of the reach of regulators.³² Regulation can be circumvented by the innovation's existence in a regulatory grey area and then as the mainstream uptake occurs and the number of customers increase or accumulate to a sufficient number, regulators cave to the new reality of the disruption as they become aware of the market need for this. This appears to have been the case with MPesa where mobile operators in East Africa started providing banking-type services without banking licences because regulation struggled to keep up with technological advances. The result of this is that innovation may mitigate the effects of institutional voids in the process of internationalization into emerging markets and moderate the effects of distance.

Within the context of international business ventures, distance constitutes one of the most important tests facing MNEs entering new cross-border markets. Distance manifests along many different dimensions including cultural, administrative, geographic, and economic differences.³³ In the African context, where institutions are weak, the challenges of distance are particularly important because of the often extreme dissimilarity between developed economies and the continent. Institutional distance poses challenges to corporations' ability to capitalize upon their capabilities and competencies within the foreign business environment due to the absence of institutional arrangements and the complementarities essential for transfer of these competencies.³⁴

3. RESEARCH METHODOLOGY

The study adopts a qualitative research approach within an interpretivist research philosophy to unpack the how and why and allow for richer results in complex situations. A

case study approach is employed based upon a single MNE expanding into Africa, namely UBER.

In-depth interviews were used as a primary means to collect the data. The interviews were semi-structured using a predesigned research instrument so as to allow for an open conversation which permitted a wider response from respondents and allowed for a deeper understanding of the opinions of respondents. Although semi-structured in format, the questions posed to the interviewees were all on the same material line, so as to maintain consistency between respondents. All interviews were recorded with the permission of the interviewees and the interviews were thereafter transcribed in preparation of the data analysis. The interviews were mostly conducted in person but where this was not possible they were conducted over Zoom video conferencing.

The population of this study was limited to the senior managers of UBER South Africa and UBER sub-Saharan Africa. The sampling method followed a purposive non-probability sampling of the population based on their position within the organization, their direct involvement in strategic decisions, or their direct involvement in launching the company into new markets. Twelve interviews were conducted with current managers of UBER in sub-Saharan Africa – see table 1. When selecting the individuals to interview, consideration was given to their experience, position and the previous regions in which they had worked in. The sample size may be comparatively small, but this is a function of the small population size, and all the participants have a wide base of knowledge and experience to accurately represent the effects of UBER's innovation in Africa.

Insert table 1 here

Thematic analysis was employed to interpret the interview data using three steps: developing and applying a code, identifying themes, relationships and patterns, and finally

summarizing the data.³⁵ The first step of the analysis, namely coding, was done on a multi-step approach - initially core themes were identified based on the literature review. The research was then analyzed through the lens of the core themes and a further sub-section of themes or codes emerged. This sub section of codes was then grouped together and presented the final set of themes under which the research data was analyzed and discussed.

Further validation was achieved through triangulation, using multiple data sources to cross-check and reinforce the findings of the study. Findings from interviews were supplemented by company reports, annual financial reports, and government reports. To ensure reliability we maintained a clear audit trail of the study, which contains a description of the study, methodology used, and the data analysis and interpretation techniques completed. Furthermore respondents were asked to check the transcripts for accuracy after the interviews.

4. RESEARCH FINDINGS AND DISCUSSION

4.1 Introducing the Case: UBER Overview

UBER was founded in San Francisco in 2009 by Travis Kalanick. UBER is a technology platform and is a smart-phone enabled ride-hailing application. Initially the mobile app catered for top-end vehicles, promoting the notion of ‘your own driver’. Within three months of launching the app, UBER cab went live in San Francisco. At the core of the business was matching riders with drivers. Through adopting an aggressive expansion policy, and where necessary localizing the product to meet specific needs, the business expanded into six continents within seven years. The UBER network is now available in 475 cities in 75 countries.³⁶

Table 2 highlights the aggressive expansion and specifically the internationalization of the company. UBER ventured into sub-Saharan Africa in 2013 and is in 12 cities in sub-

Saharan Africa (as of the beginning of 2018) – Cape Town, Durban, Johannesburg, Pretoria, Port Elizabeth, Nairobi, Mombasa, Lagos, Abuja, Kampala, Accra, and Dar es Salaam.

Across the wider Africa, it is present in 16 cities and involves approximately 60,000 drivers.

Table 3 reflects the number of active riders and drivers in sub-Saharan Africa over 3 months completed in October, 2017.

Insert tables 2 and 3 here

4.2 UBER's Solutions-Driven Innovation in Africa: Positioning and Value Proposition

In African markets UBER has targeted the middle to higher income bracket which was not being served appropriately by existing players in the transport market.³⁷ UBER positioned itself as more affordable than the local metered taxis, and the latter were not ubiquitous the way they exist in many developed markets. It offered an alternative transportation service where there was not an efficient one and it has completely transformed the existing transportation market.

Figure 1 provides a stylized illustration of the transport market in African markets and highlights three distinct consumer segments. 1) The BOP serving low income households and the transport options that are largely related to the urban public train system, buses, and minibus taxis (these operate more like shuttle buses but with a capacity of 14 independent passengers i.e. shared transport). These alternatives are often unreliable and unsafe and do not provide door-to-door transport options. 2) At the top end are comparatively high income households which rely on their own vehicles and metered taxis. Metered taxis are relatively scarce, expensive, and generally need to be booked in advance or secured at limited taxi ranks. 3) The MOP represents increasingly large numbers of middle income households that do not yet have the means to purchase their own car or would be stretched in such a purchase. These consumers are frustrated by the lack of alternatives and are often forced to rely on the

options available at the BOP but do so unwillingly. UBER in Africa is providing a viable substitute to middle income households and allowing them to opt out of BOP options. It also provides complementary options for high income households by giving them an additional alternative that may free up time and provide convenience. At the BOP, UBER is starting to reach those households on the cusp of transitioning into middle income status.

Insert figure 1 here

UBER has impacted African markets in three primary ways: the impact on riders, drivers, and the existing public transportation system. As far as riders are concerned, it has created a new market for middle income households and provided additional options for high income households and aspirant consumers at the BOP. It tapped into a market of a rapidly emerging middle class which has not yet had the opportunity to build up more expensive tangible assets as represented by cars. That segment now has a transport option that caters for point-to-point transfers. As far as drivers are concerned, UBER created an economic opportunity for them, with a low entry barrier and which was scalable through technology. As regards the existing public transportation system, UBER created a transportation alternative for a certain segment of the population, which they had not had before. (We elaborate on the latter two in a later section but here focus on the consumer market.)

Although UBER's core product may be similar in all markets, its value proposition changes between markets. In developed economies UBER represents an additional option but in Africa it is creating a new market for the MOP where vehicle ownership is still in its infancy and where public transport does not provide a reliable, safe prospect.

One of the bigger gaps to be filled by UBER within African markets, was the gap regarding the transportation infrastructure, and specifically the absence of efficient transport solutions. Resoundingly, the respondents all identified this as being the biggest gap and

innovation within African markets. Although there may be transportation systems in place within these countries, they are neither efficient nor reliable, and often not safe - UBER fills a gap in an inefficient transport system - using UBER is an option to something that was not in existence. As stated by Respondent 3:

In more developed markets you've got more developed infrastructure. More developed public transport services, so you've got tubes, buses, trams, trains, taxis. There's a thought process; if you take London, for example, how many different ways you can move around your city. And as consumers you have adapted to taking the tram, taking the train, taking a tube, then taking the bus. Look at San Francisco, very similar, Los Angeles even. New York there's the yellow cab culture. In Africa, you kind of drove your own car or you took whatever transport was available and it wasn't necessarily safe.

Respondent 6 further expands on the difference:

In Africa, it also started that way as a peer-to-peer service, but it was a peer-to-peer service that was replacing a transportation industry, which didn't really exist at the time. When this existed in the US, it was just relegated to economic inefficiency so we're taking advantage of economic inefficiency. Whereas here, it didn't really exist, especially not in any sort of way that it was considered economically viable or impactful. So, UBER in Africa is still developing that transportation market.

UBER in African markets is a solutions-driven innovation which has changed the landscape of the urban transportation industry. UBER not only disrupted the existing metered taxi industry and mini bus taxi industry, but also led them to improve their offerings, thereby improving the standard of the industry:

There's disruption in the taxis, but that's not a unique thing. I don't think the disruption is unique, I think the taxi industry hasn't always had a customer first outset, so what UBER has done has forced the industry to improve its standards. I don't think it's there to improve the industry, it's there to create more options. I think there are a bunch of alternatives, taxis have come up with their own apps, taxis have improved their fleets like Zebra cabs and Taxify. Things like this didn't exist and all of a sudden there's a fresh fleet of vehicles and increased customer service (respondent 1).

UBER has adapted to the emerging market context and this has opened up markets. Depending on what is available in the market for UBER to partner with and what the market allows, it has varied its offerings. In Pakistan UBER launched with a rickshaw product. In some Western cities UBER Pool is available and in parts of Asia it offers UBER Moto, a two-wheeled motorbike. The product assortments all depend on what is available in the market and then UBER has adapted to what the market wants. In emerging markets, UBER concentrated on lower-cost products, such as UBER X and UBER Go, and the cost of an average fare is lower than in Western countries.

But perhaps the most important internal innovation that UBER has introduced in its adaptation to the realities of African markets is the payment method. Emerging markets needed multiple payment methods compared with only credit or debit cards as such a large proportion of the population is unbanked - and this affects both drivers and riders. The adaptation to the payment options was a turning point for UBER in African markets, and went against one of UBER's core characteristics of being a cashless system. UBER adapted their payment methods to accepting cash and debit cards, which was the prevalent payment method in the region. The adaptation was born out of a need to grow the market, and a similar need exists in other emerging markets.

In order to grow the business, there had to be a cash option. So I think what was really different about how we disrupted the African market was that we launched a highly tech product with a cash pay option, that was super different. The US still don't know why we do it, but if we look at markets like Egypt, Nigeria, Ghana, Kenya - without cash the business would not have gotten to the point where it is now. In South Africa, since launching cash, there has been a distinct bump in the business. We are a 65% cash payment economy, meaning 65% of transactions are done in cash. You can't grow a business if you don't take cash, so that was a big disruption as a sub-region in the company (respondent 3).

One of the core differentiations, which has actually changed now is the method of payment. I do think there is room to change that even further In the African context specifically, we introduced cash. Some are fans of it, some are not. There's a lot of perception attached to it, but what cash does for the emerging or African market is that now you can give access to the service to everyone. Where previously you could not get access to it, because I was not in that social elite that had a credit card (respondent 12).

Moreover, in East Africa where MPesa has become ubiquitous UBER has started accepting this mobile currency for payment which has further allowed it to penetrate further down the consumer pyramid. UBER has taken advantage of the exponential growth in smart phones and the rapid rate of urbanization in Africa together with a deficient existing public transport infrastructure to create a new market. Furthermore, it has recognized the need for business model innovation given the nature of the consumers and the dearth of penetration of traditional financial services. Thereby it has ensured that its value proposition which is solutions-driven, is firmly embedded in the African context.

4.3 UBER as a Source of Economic Empowerment in Africa

Earlier we referred to the threefold disruptive impact that UBER has had in African markets and we highlighted how it has created a new market and provided novel solutions and options to the existing public transportation system. But UBER has also been a major source of economic empowerment on the continent by creating opportunities for both drivers and riders. At the driver level, it has created employment options in countries with very high unemployment rates and few options. Drivers in Africa use the UBER platform to provide full-time employment for themselves, whereas often drivers in a developed country drive as part-time employment for the purposes of supplementing their income:

From a driver perspective in developed markets, the majority of drivers are doing this as a side show, excluding New York where they are full-time. But here this is something people are doing as their primary source of income; they are running businesses with the sole purpose of doing UBER, whereas in the US it's a mom who drops the kids off and then does UBER between picking up her kids and then she goes offline (respondent 3).

This is supported by the statistics from internal UBER studies which show that an average UBER driver in the US drive for ten hours a week, compared to UBER drivers in Africa who work full-time and up to ten hours per day.³⁸ The benefit that they are providing to drivers is invaluable within the context of high unemployment ranging from 20% to a staggering 90% in Zimbabwe:³⁹

Unfortunately, unemployment is the reality [in Africa] and we are providing sustainable economic opportunities for driver partners which is a relatively low barrier, and is scalable through technology (respondent 1).

UBER are not only providing the drivers and partners with a platform and a job, they are equally creating entrepreneurial opportunities. UBER encourages the drivers to work for themselves, acquire their own vehicles, and to create their own employment and opportunities. This is also changing the nature of the offering itself as explained by Respondent 8:

UBER is creating more economic opportunities than in developed markets and that leads to the job partners having more pride, which then reflects in the product offering. So, I do think our quality is higher than in European countries. The drivers are more professional, they take more pride in their work, because this is an economic opportunity for them, to have a business and to be an entrepreneur. The benefits that drivers in developed markets seek from transport are normally earnings and flexibility, but in African countries, one of the biggest benefits they look for from a transport company is a source of pride and partnering with a company that is forward thinking, innovative and that's doing good for their cities - that does not come out nearly as strongly in developed markets.

Although UBER is largely targeting the MOP for consumers, on the driver side it is often creating employment and income at the BOP. But UBER is also creating economic opportunities for the consumers. They offer an opportunity for workers to move around by offering an alternative transportation solution. For the most part, the consumers that now use UBER in African markets were previously restricted in their opportunities to move around due to the lack of a transportation system:

If you don't have public transport, you don't have freedom to move around your city. You are confined to your own vehicle and when you are confined to your own vehicle,

there is congestion, there are parking issues, there is a price factor; you can't go out.

All these elements play a role, and what we do is we fill that space (respondent 1).

UBER has thereby transformed an existing market by creating an alternative transport solution to counter an inefficient, unsafe, or sometimes non-existent public transport system. It also has created real depth of economic opportunity. Respondents noted that these two factors were the biggest ways in which UBER disrupted the market in Africa and simultaneously also answered two very core unmet needs within the market:

It disrupts the market in Africa because in many ways it's actually providing something that wasn't available before. So, the way I look at it here, there's a massive need for transportation in a certain market and a massive need for jobs. And what UBER has done in Africa is fill this gap, so it's an absolute game changer in terms of what it can provide in economic opportunity; plus, what it can provide in terms of access in transportation and area mobility (respondent 6).

4.4 Solutions-Driven Innovation, Distance, and Institutional Voids: Context Matters

UBER is a global company with a global solution and product, but they have a strong policy and culture of localization. This is premised on a belief that it is critical to their success for the company to hire local teams with local knowledge in order to respond to the local market. This policy of a decentralized corporate structure has allowed them to better localize themselves in the different markets within which they operate. This is especially important in African markets where the environment of business is fraught with institutional voids and where consumer markets have a vastly different income profile to the home country base. Operating in markets which magnify the distance between home and host countries culturally, administratively and institutionally, geographically, and economically necessitate adaptation to local context. Even though the product is global and the need that

they speak to is universal, there is a strategic need for UBER to localize its offering towards the local environment of the countries within which they operate:

We have gained success through localized teams. Unlike other tech businesses we are not operating this from an ivory tower in San Francisco shooting through commands to the rest of the world. It has always been local teams. They will go set it up and then hire a GM, operations manager and marketing manager from that city or country. That is what has kept the fabric of UBER very local (respondent 10).

Although their product and platform are universal and the technical and R&D teams are based in Amsterdam and San Francisco, UBER's decentralized structure allows them to be more operationally responsive to the market demands and adapt to the market needs. UBER has made some adaptations to both the product and business model within African markets so as to better serve and appeal to the local market demand and needs. The changes have varied from getting the application translated into a local language, such as Swahili; upgrading the mapping capabilities when Google Maps did not work efficiently in some locations; and changing the business model to accept cash and mobile payments. Nonetheless, these changes could not be made locally and had to be championed for by the local UBER Africa hub. The international hubs of San Francisco and Amsterdam were at first slow to consider and enact these changes. Respondents also mentioned that creating a second hub in Amsterdam away from San Francisco and closer to Africa facilitated responsiveness and helped overcome dimensions of distance:

There's also definitely an element of you just don't understand the country because you haven't been here. So, when the mapping team came here it meant driving around all our cities. And after that, there was much better understanding. Things like trying to launch with cash took a very long time to happen. Again, we had to build a massive

business case; make people understand how different our market is to America and why we need cash and why it's not going to grow without it. There are a lot of things we've had to look into, like different payments, subscriptions, but once again, that requires a much bigger business case. It's gotten better. At the beginning, it took a lot longer. Also having the hub in Amsterdam has made a huge difference. When it was in San Francisco, it was very far away. Amsterdam is a lot closer and the central teams there are a lot more open to coming to visit all our countries and get involved (respondent 8).

The delayed action and identification of the mapping inefficiencies and the need for cash transactions supports research on the drawback of institutional distance, in that it impedes the flow of information, which impact on a manager's ability to identify threats and opportunities.

UBER has also had to confront unique challenges of institutions and institutional voids in Africa. Worldwide, UBER has taken advantage of the fact that transport regulations did not anticipate this particular smart phone technology and it has circumvented legislation by positioning itself not as a transport but as a technology company. UBER has operated ahead of the regulatory curve and thereby has been able to influence the development of regulation (in this way there are some interesting parallels with MPesa):

There is regulation, but it's outdated, but we've been lucky that we've been able to grow within this framework to a point which we are now able to contribute towards the discussion. I think if we had waited to have a discussion about where UBER fits into the regulation framework we would be nowhere (respondent 2).

The UBER innovation has operated in a regulatory grey area and this has allowed the company, once it has accumulated a sufficient number of customers, to force regulators to

cave into the disruption as they become aware of the need for the product and the solution it offers.⁴⁰ This is the strategy and characteristic of UBER globally and is not unique to Africa. Where there is a difference is, that within African markets because of the added value that UBER is creating through economic opportunities and its solutions, that regulators and authorities are more open to having these conversations. UBER is more involved with the process of shaping new regulations within these markets than it is in other markets, due to the value that it brings through the needs it answers but also because of inherent regulatory weaknesses within the institutional environment in African countries.

UBER was confronted with multiple voids. One of the bigger voids that it experienced was the lack of access to capital and financing available for their drivers. This was a problem unique to the emerging market context where most of their drivers did not own their vehicles. In African markets there was a big supply of drivers but with no access to capital. UBER innovated around this by partnering with Wesbank (a South African bank) to create alternative solutions to overcome the lack of formalized credit records for their drivers. UBER used the drivers' records on their platform to stand in as a proxy for formalized credit records, thereby creating a formal infrastructure and addressing information asymmetries:

If the driver went to the bank for finance, he wouldn't be earning enough money to have a good enough credit rating. It started off with Wesbank in South Africa. What they've done instead of looking at credit history were looking at their track record on UBER, in terms of how many trips they've completed, how long have they been using the technology for, what are their ratings and their earnings history, and off the back of that they offer full maintenance. In Kenya it's a formalized loan, and they're relying on data that didn't previously exist as a proxy for credit history. Data that's created off the back of technology can fill the void of shortcomings that may exist in sub-Saharan African countries (respondent 1).

Another example of an institutional void that a MNE may take for granted in a developed country is being able to check for criminal records when screening drivers but these are often unreliable in African countries. This necessitates improvisation and adaptation to this context. Thus in Nigeria, the lack of a reliable database from which to get police clearance for the drivers saw UBER improvising and introducing psychometric testing to measure individuals' capabilities and behavioral styles and to measure candidates' suitability for these roles based on the required personality characteristics and aptitudes. UBER innovated around the lack of institutions and filled the void themselves, thereby becoming an informal institution or proxy for the formalized institution:

Institutions tend to lag behind progress of what's needed and they always catch up but they're slower. So I think Africa as a whole is the biggest opportunity for UBER to help propel the economy and the business environments forward. I like that we do this. For some UBER drivers, this will be the first time they use a smartphone, or the first time they get a bank account. UBER is a part of that. And UBER is the institution that's helping that happen. That's pretty cool (respondent 6).

Although there has been a rapid growth in connectivity in Africa over the past decade, there are still connectivity issues associated with the low income status of many of these countries and UBER has as a result developed a platform which is more data light and more suited to the institutional, infrastructural, and consumer realities of this market:

We have recently launched UBER Lite in Kenya and South Africa, a lighter version of our app which was designed to make booking rides quicker and lighter in low connectivity, on basic Android phones, and for people with limited data plans (respondent 3).

UBER has innovated around the lack of institutions and created opportunities that are mindful of these voids. These opportunities were possible in part due to their power to aggregate and their scale. Through their pioneering adaptations they yielded power in the market and were able to facilitate the conversations required to implement the innovations. Going forward UBER has identified African markets as growth opportunities and admit that they are still far from reaching their potential on the continent with over 1 billion people. They advise that business in Africa needs to be part of the response to break the hold of underdevelopment and to create solutions-driven innovations if it wants to succeed:

Our ambition is to be everywhere - any progressive, forward-thinking city that has a need for safe, reliable and efficient transportation, we want to be there. ... Each continent has its own opportunities and challenges. As we celebrated five years of UBER in sub-Saharan Africa, we reflected on the fact that our business model and our decision to invest in the region helped play a positive role in the continued upward trajectory of the region. Above all, we have created new forms of economic opportunities with driver-partners, and opening up the convenience of e-hailing services to a young, tech-savvy continent ready to embrace technological solutions to the region's problems and the demands of the fourth industrial revolution. ... UBER's success is deeply rooted in the fact that city-led growth has been identified as a key opportunity in emerging economies, as countries embrace urbanization and mobilize resources to turn cities into economic powerhouses (respondent 3).

5. CONCLUSION

To be successful in African markets requires taking the context seriously and being mindful of how institutional voids necessitate innovative solutions and potentially different value propositions. UBER innovated around the institutional voids in these markets and in

some instances stepped in and filled the void, thereby becoming the informal institution or proxy for the formal institutions. This further entrenched them in the market. The company did not immediately recognize what its value proposition was in Africa and had to adapt its strategy and operations and demonstrate the necessary agility. It was forced to improvise and engage in activities which in other parts of the world may lie outside its core area but in Africa these activities are complementary and would not exist otherwise. An example of this is the company having to support drivers with accessing capital for the vehicles by partnering with local financial institutions.

The innovations and adaptations to the specificities of context in Africa go deeper and reflect the underlying complexities associated with institutional voids and underdevelopment. Table 4 provides illustrations of how contextual factors influenced UBER's solutions-driven innovation in African markets and why MNEs need to rethink their value propositions and product innovations to be mindful of the peculiarities of the environment. The contextual factors can be seen as obstacles or as opportunities and those MNEs that succeed are those that are able to develop viable value propositions out of these institutional weaknesses. We see the company adapting its product offering in multiple ways including the development of a lighter platform more suitable to lower connectivity in less developed countries, altering its payment system to reflect the largely unbanked nature of the consumer market, being forced to change the way in which it recruits and screens drivers due to institutional weaknesses associated with the reliability of criminal records, and having to adapt its mapping system given infrastructural realities and 'blind spots' in informal settlements where vast numbers of people live in emerging economies, amongst other adaptations, reflecting the underlying institutional contextual environment.

Insert table 4 here

Table 4 provides further insight into existing frameworks of coping in emerging markets. We demonstrate how UBER addressed the distinctive characteristics of emerging markets as identified by Sheth including market heterogeneity, sociopolitical governance, shortages of resources, and inadequate infrastructure.⁴¹ Our contextual factors expand on his characteristics and provide examples of solutions-driven innovations by UBER which seek to address these. For example, we see the company adapting to the lack of infrastructure and chronic resource shortages in the financial markets by utilizing cash in these markets; and how the institutional voids related to inadequate police clearance for drivers required the adoption of proxy measures. We also add nuance to the work of Ancarani *et al.* who reveal strategies that MNEs have used to adapt to emerging regions through localized solutions, creating adaptive distribution systems, and building trusting relationships with stakeholders.⁴² Our case demonstrates that localization comes in many different forms including the adaptation of the products (such as the use of the lighter platform), the pricing strategy and the financing options, and its human resource management of its drivers; creating ‘go-to-market’ solutions such as UBER using its platform as a financing proxy for drivers to access car finance; and building meaningful relationships with stakeholders (including with new intermediaries) around shared values, empowerment, and solutions-driven innovation.

What it establishes is that doing business in Africa requires a bottom-up tactic that starts from the context and recognizes institutional realities. This provides an opportunity to disrupt the market by innovating for the context and providing a solutions-driven approach. The UBER case demonstrates that it does not require a wholly different product or that the market is not there but rather that innovations come in many different forms and the most successful ones adapt to the underlying institutional voids and conditions of underdevelopment and are solutions-driven. Earlier we cited Bohnsack and Pinske who argue that innovation can be made more attractive through the reconfiguration of the underlying

value propositions,⁴³ and our argument is that such a reconfiguration needs to start from an understanding of the underlying institutional environment and the impact of underdevelopment in Africa. Their tactics for the reconfiguration of value propositions lend themselves to our analysis too. They write of compensating, enhancing, and coupling tactics and we see all three tactics in use in our table 4. UBER has had to adopt tactics which *compensate* for the underlying institutional weaknesses to allow it to be seen as a reasonable choice; *enhancing* tactics which transform the institutional weaknesses into points of opportunity; and *coupling* tactics which exploit new combinations of products and services to redefine the market. Thereby, it has reconfigured its value proposition firmly embedded in solutions-driven innovations that stem from the local institutional environment.

The research leads to several practical recommendations. African markets hold a lot of potential and are regarded as the next big economic growth frontier. Despite this potential, there are challenges and one such challenge is appealing to the market with the right product solution, or finding a foothold within African markets. A strategy to address this challenge is to identify the unmet need of the consumer and to provide a solution for that need through innovation. By creating such a solution, a firm can entrench itself in the market since the solution will have a high comparative value for the consumer. But meeting this unmet need requires that the underlying value proposition is grounded in the local contextual realities of underdevelopment and institutional voids.

The second recommendation is to not ignore opportunities in the MOP as the BOP is not the only segment with unmet needs and thus market potential. What UBER demonstrates is that there are many opportunities for disruption in the middle of the market as well. These unmet needs are often created through being underserved by the existing offerings, with the result that through innovation, product solutions can be created that are embedded in local

markets and institutional realities. The rapidly growing middle classes in Africa are creating such new market openings and require innovative solutions to exploit these opportunities.

The final recommendation is that the structural nature of the underlying institutional voids in African markets mean that it is not always possible to go it alone in terms of innovative solutions and that it may require creating partnerships with other entities, so as to find solutions and innovate around the lack of certain market complementarities essential to doing business in such underdeveloped contexts.⁴⁴ The institutional voids do not need to be a barrier to entry and operation for foreign firms and can actually generate opportunities. By crafting pioneering partnerships, a firm can innovate to find a solution to the institutional challenges and in doing so entrench themselves in the market and create their own complementarities, which could benefit them more in the longer term. UBER's partnerships with local financing houses to provide loans to drivers for vehicle purchases is one such illustration.

The research was limited to a single company case study, and future research could extend this to include other MNEs that have expanded into African markets using solutions-driven innovations. Likewise, our focus was exclusively on Africa, and further extension could examine how UBER has localized its offerings in other emerging contexts, such as India. Finally, our research focused on opportunities in the MOP, but there are opportunities extending all the way to the BOP and future research could focus on how this market need can be addressed and how this technology solution can be adapted to this part of the pyramid. UBER is having an impact at the BOP, not yet in terms of consumption, but it is employing and providing income opportunities to large numbers of drivers coming from the erstwhile unemployed and providing them with entrepreneurial opportunities. This is in itself an important area for research especially in terms of how it may be affecting economic mobility of these drivers and how it changes their prospects over time. What is not yet clear is how

UBER will be able to leverage its offering to fully penetrate the consumption market at the BOP but our research highlights the importance of adopting a solutions-based approach which harnesses technological innovation for affordability and accessibility.

Table 1: List of Respondents

Respondent	Position held	Region	Nationality
1	General Manager	Sub-Saharan Africa	South African
2	General Manager	South Africa	South African
3	Head Communications Manager	Sub-Saharan Africa	South African
4	Head of Operations	South Africa	South African
5	Head of Market Placed Teams & Operations	Sub-Saharan Africa	Canadian
6	Head of Driver Channels	Sub-Saharan Africa	American
7	Regional Marketing Manager Creative Brand	Sub-Saharan Africa	South African
8	Lead Marketing Manager Strategy & Campaign	Sub-Saharan Africa	South African
9	Lead Marketing Manager CRM Lifecycle & Analytics	Sub-Saharan Africa	South African
10	Lead Vehicle Solutions Manager	Europe, Middle East & Africa	South African
11	Head of Consumer, Product & Tools Insight	Sub-Saharan Africa, East & West Africa	South African
12	Marketing Business Development Manager	Sub-Saharan Africa	South African

Table 2: UBER's international expansion - key moments

Year	Month	Event type	Details
2009	March	Company	UBER founded as UBERCab.
2010	July	Company	UBER goes live for the first time in San Francisco.
2011	May	National expansion	UBER goes live in New York City.
2011	December	International expansion	UBER expands beyond the United States, starting by expanding into Paris, France.
2012	July	International expansion	UBER launches in London, United Kingdom.
2013	June	International expansion	UBER launches in Mexico City, Mexico.
2013	July	International expansion	UBER expands to Asia launches in Taiwan, starting in Taipei
2013	August	International expansion	UBER expands to Africa, launches its first product in Johannesburg, South Africa.
2013	August	International expansion	UBER expands to India, launching its first product in Bangalore.
2014	July	International expansion	UBER officially launches in China, starting with Beijing.
2014	July	International expansion	UBER officially launches in Lagos, Nigeria, expanding its presence to Western Africa.
2015	January	International expansion	UBER launches its first product in East Africa, in Nairobi, Kenya.

Year	Month	Event type	Details
2016	April	International expansion	UBER launches in Buenos Aires, Argentina amidst claims of illegality and taxi protests.
2016	June	International expansion	UBER launches in Kiev, Ukraine.

Source: UBER, 2017

Table 3: Active Riders and Drivers in Sub-Saharan Africa, October 2017

Area	Active riders	Active drivers
Sub-Saharan Africa	1.8 million	29 000
South Africa	969 000	12 000
Nigeria	267 000	7 000
Ghana	140 000	3 000
Kenya	363 000	5 000
Uganda	48 000	1 000
Tanzania	53 000	1 0000

Source: UBER, 2017

Table 4: Contextual factors influencing UBER's solutions-driven innovation in African markets

Contextual factors	Developed markets	African markets
Market structure and size	Complementing existing market. Competing with existing market players in transport, and gaining market share.	Creating new markets. Introduced non-consumers to the transport market, grew the market as a whole and created greater market access.
Product innovation: platform	Digital taxi-hailing application.	Adaptation of application with a lighter platform with lower connectivity demands and additional driver rider messaging capabilities to counter high call cost for drivers.
Product innovation: payment	Credit cards ubiquitous	Cash, Debit MPesa - because of deficient financial market access.
Level of competition	Complementing existing market.	Lack of competition and alternatives due to inefficient public transport and low private vehicle ownership.
Form of competition	Competitive disruption to formalised alternatives.	Substitution of both formal and informal markets.
Value proposition	Affordability and accessibility.	Transparency, reliability, safety and affordability.
Labour market: employment	Drivers are part-time, earning additional income.	Drivers are full-time and creating new sources of employment – BOP.
Labour market: screening	Drivers screened using police certificates and criminal records.	Institutional voids result in psychometric testing as a proxy measure.
Financial markets	Deep and developed financial markets for traditional payment mechanisms.	Largely unbanked population implies the need for payment innovation
Financial markets	Drivers own their own cars and provide their own financing.	Drivers are carless and unable to access finance for purchase requiring UBER to use platform as proxy.
Regulatory framework	Efficient regulation results in some institutionalised contestation.	Weak and archaic regulatory systems open up grey areas for innovation and influencing of regulation.
Intermediary partnerships	Established intermediaries are not modelled to partner with platform, thus resulting in more expensive offerings such as insurance.	New intermediaries with evolving models that can be built around the concept of the platform.

Technology	Easily absorbs and exploits existing technologies such as Google maps.	Existing technologies do not sufficiently penetrate and extend to all areas e.g. informal settlements requiring new innovation.
Business and society	'The business of business is business'.	Business needs to create shared value and empowerment.
Business and society: consumer value	Receptive to additional competitive option.	Higher comparative value due to the fulfilment of unmet needs of formalised transport and employment.

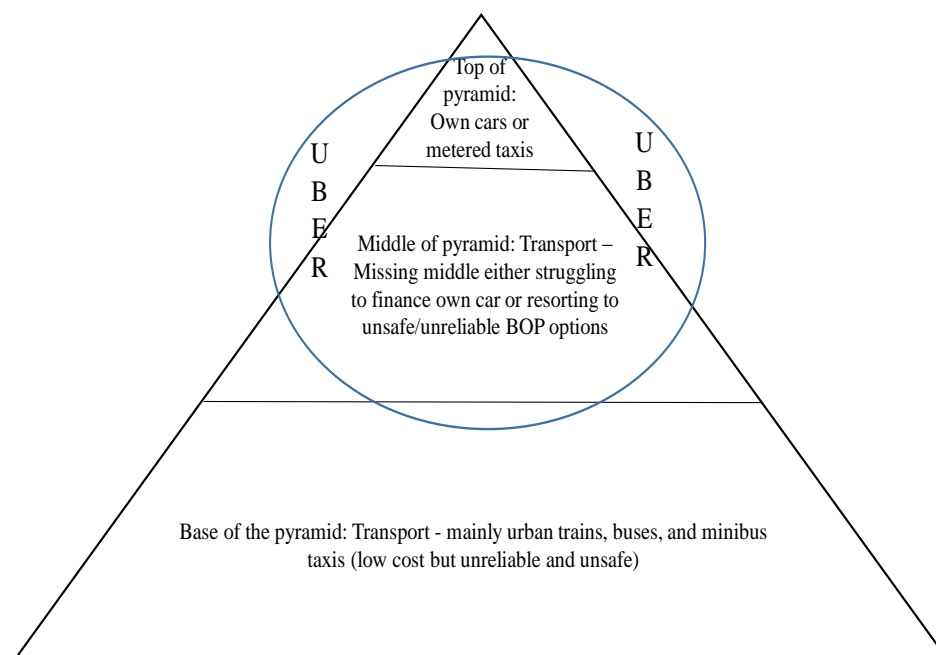


Figure 1: Stylized account of the transport options in African markets and UBER's positioning

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